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TAGS: EGEN, ECON, XC, XE, XP

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT
MAY 3, 1977

1. US-ASEAN CONSULTATIONS (LIMITED OFFICIAL USE)

EMBASSY MANILA TRANSMITTED A NOTE FROM SECRETARY ROMULO IN WHICH THE ASEAN STANDING COMMITTEE PROPOSES THAT THE US-ASEAN ECONOMIC CONSULTATIONS BE HELD IN MANILA BETWEEN JUNE 15-17, 1977. THE DRAFT PROVISIONAL AGENDA ATTACHED TO THE NOTE IS VERY MUCH ALONG THE LINES WE EXPECTED CONTAINING OUR PROPOSED ITEMS ON TRADE, INVESTMENT AND MAJOR NORTH-SOUTH ISSUES AND ADDING "DISCUSSIONS ON US DEVELOPMENT COOPERATION WITH ASEAN".

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WHILE THIS PROCESS OF STANDING COMMITTEE APPROVAL AND NOTE TRANSMITTAL WAS TAKING PLACE, ERLAND HEGINBOTHAM CONSULTED WITH GOP SECRETARY OF INDUSTRY PATERNO AND OTHER ASEAN ADB GOVERNORS SEEKING THEIR SUPPORT FOR THE INVOLVEMENT OF SUBSTANTIVELY MORE QUALIFIED ASEAN ECONOMIC MINISTRIES IN THESE CONSULTATIONS. PATERNO AND ROMULO APPARENTLY AGREED AND WE ARE SENDING A CABLE TO MANILA ASKING THE EMBASSY TO CLARIFY THE SITUATION.

2. EC-ASEAN HOLD JOINT INDUSTRIAL COOPERATION

CONFERENCE (LIMITED OFFICIAL USE)

THE EC-ASEAN INDUSTRIAL COOPERATION HELD IN BRUSSELS IN APRIL WAS JUDGED BOTH BY THE EC AND ASEAN PARTICIPANTS AS A QUALIFIED SUCCESS. PURPOSE OF THE CONFERENCE WAS TO INTRODUCE EUROPEAN BUSINESSMEN TO INVESTMENT AND TRADE OPPORTUNITIES IN ASEAN. 220 EUROPEAN FIRMS WERE REPRESENTED AND OVER 125 ASEAN PARTICIPANTS WERE PRESENT, INCLUDING CABINET MINISTERS. ASEAN WAS ABLE TO ATTRACT THE INTEREST OF BUSINESS AS AN AREA OF OPPORTUNITY, IT PRESENTED ITSELF AS A COHESIVE GROUP, AND RENEWED EC INTEREST IN ASEAN. CONCRETE RESULTS WILL DEPEND ON ASEAN'S EFFECTIVENESS IN FOLLOWING UP ON INITIAL BUSINESS CONTACTS. ASEAN OFFICIALS ARE SUGGESTING THAT SIMILAR CONFERENCES BE HELD IN THE US AND JAPAN.

3. ESCAP CONCLUDES YEARLY MEETING; VIETNAMESE MOVE CLOSER TO REGIONAL DEVELOPMENT ASSISTANCE ORGANIZATIONS
(LIMITED OFFICIAL USE)

THE ESCAP SESSION LAST WEEK IN BANGKOK PRESENTED NO SURPRISES, DEALING MAINLY WITH ORGANIZATIONAL RECOMMENDATIONS TO PROMOTE INTERCHANGE AND COOPERATION AMONG THE REGIONAL MEMBERS. THE PACIFIC ISLANDERS AGAIN MADE A MAJOR EFFORT AT TRYING TO GET ESCAP TO FOCUS MORE ON THE "P" IN ITS TITLE. VIETNAMESE RAPPROCHEMENT WITH THE
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MEKONG COMMITTEE (REPORTED LAST WEEK) WAS FORMALIZED BY A APRIL 29 PLENARY STATEMENT. FINALLY, IT WAS LEARNED DURING THE SESSION THAT VIETNAM HAD REQUESTED THAT A UNDP RESIDENT BE STATIONED IN HANOI.

4. VIETNAMESE MAKE INITIAL CONTACTS WITH SEAMEO
SECRETARIAT (LIMITED OFFICIAL USE)

COMING ON THE HEELS OF FEELERS BETWEEN VIETNAM AND THE MEKONG COMMITTEE THE VIETNAMESE HAVE CONTACTED THE SECRETARIAT OF THE SOUTHEAST ASIAN MINISTERS OF EDUCATION ORGANIZATION (SEAMEO) -- ANOTHER OF THE REGIONAL ECONOMIC DEVELOPMENT BODIES FOR WHICH WE EARLIER PROVIDED SUBSTANTIAL FUNDS. AFTER THREE MEETINGS, CHARACTERIZED AS CORDIAL AND RELAXED, WITH SEAMEO PERSONNEL IN BANGKOK, THE VIETNAMESE SAID THAT THEY WOULD GIVE PARTICIPATION IN SEAMEO ACTIVITIES CONSIDERATION AND ADVISE THE SECRETARIAT OF THEIR DECISION "IN DUE COURSE."

5. HIRC MARKS UP PL-480 LEGISLATION: VIETNAM QUESTION
ISSUE SIDESTEPED, COUNTRY INCOME LIMITS LIBERALIZED

(UNCLASSIFIED)

LAST WEEK THE HIRC MARKED UP THE NEW PL-480 LEGISLATION. ON THE QUESTION OF VIETNAM'S ELIGIBILITY FOR PL-480 ASSISTANCE NO COMMITTEE MEMBER WAS WILLING TO PROPOSE ELIMINATION OF THE PRESENT BAN (SECTION 411). CONGRESSWOMAN MEYNER CONSIDERED IT BUT ACCEPTED THE GENERAL MOOD OF THE COMMITTEE WHICH WAS NOT ANXIOUS TO INITIATE SUCH ACTION. CHAIRMAN ZABLOCKI WAS CLEARLY AGAINST REPEAL AT THIS TIME. IN ANOTHER AREA IMPORTANT TO EA, THE COMMITTEE AGREED TO ACCEPT THE ADMINISTRATION'S PROPOSAL TO USE THE IBRD FIGURE OF DOLLARS 520 TO DEFINE POOR NATIONS TO WHICH 75 PERCENT OF OUR FOOD AID MUST GO. FINALLY CONGRESSMAN SOLARES INTRODUCED A HUMAN RIGHTS

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AMENDMENT. AID, EB AND L -- ALL OF WHOM ARE CLOSE TO THE QUESTION -- FEEL THAT WHILE NOT DESIRABLE, THE SOLARES LANGUAGE IF ADOPTED WILL NOT CAUSE US TO ALTER ANY PL-480 PROGRAMS IN EA AS WE CAN DEMONSTRATE THEY ALL BENEFIT THE NEEDY. THE LEGISLATION NOW MOVES TO THE HOUSE FLOOR, WHILE THE SENATE IS SLATED TO BEGIN MARK UP LATER THIS WEEK.

6. IBRD-IMF DEVELOPMENT AND INTERIM COMMITTEES MEET
(LIMITED OFFICIAL USE)

THE IBRD-IMF INTERIM AND DEVELOPMENT COMMITTEES HELD FAIRLY ROUTINE MEETINGS HERE LAST WEEK. IN THE DEVELOPMENT COMMITTEE QUESTIONS OF RESOURCE FLOW TO DEVELOPING COUNTRIES AND LDC ACCESS TO CAPITAL MARKETS WERE DISCUSSED BUT NO DECISIONS WERE TAKEN. IN THE INTERIM COMMITTEE DISCUSSION CENTERED ON EXCHANGE RATE SURVEILLANCE AND THE WITTEVEEN PROPOSAL FOR INCREASED IMF BALANCE OF PAYMENTS LENDING TO THE LDCS. ALTHOUGH THIS CONCEPT WAS APPROVED IN PRINCIPLE NO DECISION AS TO TIMING OR MAGNITUDE WAS TAKEN. SIMILARLY DECISIONS ON SDR ALLOCATIONS AND QUOTA INCREASES WERE LEFT FOR THE FUTURE.

7. CONFRONTATION CONTINUES TO CHARACTERIZE SOME RECENT
LDC-DC MEETINGS (LIMITED OFFICIAL USE)

THE CONTINUED EXISTENCE OF A CONFRONTATIONAL ATMOSPHERE BETWEEN DEVELOPING AND DEVELOPED COUNTRIES WAS DEMONSTRATED AT TWO MAJOR INTERNATIONAL MEETINGS THIS MONTH. AT THE EIGHTH SESSION OF THE TRADE DEVELOPMENT BOARD (TDB) OF UNCTAD SHARP DIVISIONS BETWEEN THE G-77 AND GROUP B, THE SOVIET BLOC AND THE UNCTAD SECRETARIAT NEGATED ANY POSSIBILITY FOR REAL ACCOMPLISHMENTS, WITH THE MEETING'S FINAL DOCUMENT MERELY BEING A "CHAPEAU" FOR TRANSMITTING IRRECONCILABLE POSITIONS. AT THE SAME TIME FOLLOW UP

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REPORTING INDICATES THAT THE EC-ACP SESSION IN FIJI WAS NOT AS SMOOTH AS WE HAD EARLIER THOUGHT (REPORTED LAST WEEK). RATHER, EC OFFICIERS WERE VERY MUCH CONCERNED THAT THE EC-ACP MEETINGS WERE BECOMING FAR TOO CONFRONTATIONAL -- A TREND WHICH COULD UNDERCUT THE COOPERATIVE SPIRIT OF THE LOME CONVENTION.

8. US TO TAKE A MORE FLEXIBLE POSITION IN DEALING WITH REFERENCES TO THE NEW INTERNATIONAL ECONOMIC ORDER WITHIN THE UN SYSTEM (LIMITED OFFICIAL USE)

IN ORDER NOT TO STAND OUT AS SUCH AN INFLEXIBLE OPPONENT OF THE LDC CALL FOR CHANGES IN THE WORLD ECONOMIC ORDER, WE HAVE RECENTLY DEVELOPED A NEW POLICY OF DISTINGUISHING BETWEEN THE NEW INTERNATIONAL ECONOMIC ORDER (NIEO) AS A GENERAL CONCEPT WITH WHICH WE CAN SYMPATHIZE AND THE SPECIFIC RESOLUTIONS OF THE UNGA 6TH SPECIAL SESSION ON WHICH WE HAVE IMPORTANT RESERVATIONS. WE PLAN TO ANNOUNCE THIS NEW APPROACH IN A MAJOR POLICY STATEMENT, FOLLOWING CONSULTATION WITH OUR DEVELOPED COUNTRY PARTNERS.

9. SOUTH PACIFIC AID PROGRAM MOVES FORWARD (UNCLASSIFIED)

THREE KEY ELEMENTS OF THE SOUTH PACIFIC ECONOMIC ASSISTANCE PROGRAM APPEAR TO BE MOVING ALONG AT A REASONABLE PACE. AID IS PRESENTLY WORKING ON THE FINAL CONTRACT DETAILS OF OUR PROPOSED CONTRIBUTION TO THE SOUTH PACIFIC COMMISSION'S TUNA SURVEY IN ORDER TO ALLOW US TO MAKE A FIRM COMMITMENT (DOLLARS 300 THOUSAND OVER TWO YEARS) AT THE MAY 26 MEETING OF THE SPC PLANNING COMMITTEE. IN ADDITION A MEETING OF PRIVATE VOLUNTARY ORGANIZATIONS WISHING TO WORK IN THE SOUTH PACIFIC IS SCHEDULED THIS WEEK HERE IN THE DEPARTMENT AT WHICH WE WILL ASK FOR SPECIFIC PROPOSALS FOR AID FUNDING BY JULY. FINALLY, DETAILS ARE BEING WORKED OUT FOR A SURVEY VISIT BY SPECIALISTS FROM THE UNIVERSITY OF HAWAII TO THE CONFIDENTIAL

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UNIVERSITY OF THE SOUTH PACIFIC'S COLLEGE OF AGRICULTURE IN SAMOA IN ORDER TO WORK OUT DETAILS OF A COOPERATIVE ARRANGEMENT BETWEEN THE COLLEGE AND AN AMERICAN LAND GRANT UNIVERSITY.

10. US-NEW ZEALAND ECONOMIC CONSULTATIONS PROPOSED FOR JULY 14-15 (LIMITED OFFICIAL USE)

NEW ZEALAND AMBASSADOR LLOYD WHITE TODAY PROPOSED TO JULES KATZ THE HOLDING OF THE ANNUAL US-NEW ZEALAND ECONOMIC CONSULTATIONS HERE IN WASHINGTON ON JULY 14-15. KATZ WAS AGREEABLE TO THESE DATES AND TOLD THE AMBASSADOR

WE WOULD BE BACK TO THE NEW ZEALANDERS SHORTLY REGARDING

DETAILS FOR THE SESSION.

11. DEPARTMENT URGES REMOVAL OF GSP EXCLUSION OF OPEC MEMBERS (UNCLASSIFIED)

IN A LETTER TO HOUSE WAYS AND MEANS CHAIRMAN ULLMAN THE DEPARTMENT HAS EXPRESSED STRONG OPPOSITION TO THE RESTRICTIONS TO GSP ACCESS BY OPEC MEMBERS SPECIFIED IN THE CURRENT TRADE ACT. COMMENTING ON TWO RECENTLY INTRODUCED AMENDMENTS TO GRANT GSP TO WESTERN HEMISPHERE OPEC MEMBERS (VANIK) AND/OR TO GRANT IT TO ALL NON-EMBARGOING OPEC STATES (STEIGER) THE DEPARTMENT URGED THAT BOTH PIECES OF LEGISLATION BE BROADENED TO INCLUDE ALL OPEC COUNTRIES. ENACTMENT OF THE TYPE OF LEGISLATION THE DEPARTMENT PROPOSES WOULD REMOVE A LONG STANDING IRRITANT IN OUR RELATIONS NOT ONLY WITH INDONESIA -- THE ONLY OPEC MEMBER IN EA -- BUT WITH THE OTHER ASEAN STATES WHO HAVE BEEN SOLIDLY BEHIND JAKARTA ON THIS ISSUE. THE PROSPECTS OF LEGISLATIVE ACTION REMAIN UNCERTAIN.

12. DEPARTMENT OPPOSES PACIFIC TELECOMMUNICATION CONFERENCE (LIMITED OFFICIAL USE)
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DRAWING ON YOUR MEMORANDUM TO JULES KATZ, EB HAS INFORMED THE WHITE HOUSE OF TELECOMMUNICATION POLICY THAT THE HOLDING OF A PACIFIC TELECOMMUNICATIONS CONFERENCE WOULD RAISE DELICATE QUESTIONS CONCERNING THE ATTENDANCE OF A CHINESE REPRESENTATIVE. GIVEN THIS, THE DEPARTMENT HAS TOLD OTP IT MUST OPPOSE THE HOLDING OF SUCH A CONFERENCE.

13. DEPARTMENT POLICY ON TIN BUFFER STOCK UNDER REVIEW (CONFIDENTIAL)

THE DEPARTMENT IS REVIEWING THE US POSITION WITH REGARD TO JOINING ITC BUFFER STOCK. SHOULD THE STUDY RECOMMEND OUR INTERESTS WOULD BE SERVED BY JOINING, THE DEPARTMENT WILL SEEK SUPPORT FROM OTHER AGENCIES FOR A COORDINATED ADMINISTRATION POSITION FOR SUBMISSION TO CONGRESS WHOSE APPROVAL IS REQUIRED.

THE STUDY WILL CENTER ON BENEFITS TO BE GAINED BY THE US RELATIVE TO A CONTRIBUTION. ONE POINT WHERE THE US IS FIRM IN ITS POSITION IS THAT PRODUCING COUNTRIES WILL HAVE TO MAKE CONCESSIONS ON IMPEDEMENTS TO NEW TIN PRODUCTION. MALAYSIA'S HIGH TAX ON TIN EXPORTS AND ITS RESTRICTIVE POLICY ON ISSUANCE OF TIN MINING LEASES FALL INTO THIS AREA.

14. BOLIVIA BACKS OFF ON TUNGSTEN COMMODITY AGREEMENT

(LIMITED OFFICIAL USE)

LAST WEEK WE REPORTED THAT BOLIVIA WAS PRESSING HARD FOR AN INTERNATIONAL COMMODITY AGREEMENT ON TUNGSTEN. IT NOW APPEARS THAT THE BOLIVIANS HAVE BACKED DOWN AS THEY HAVE AGREED TO A PROPOSAL TO HAVE A GROUP OF EXPERTS EXAMINE THE PROPOSAL. THE EXPERTS ARE TO REPORT TO THE UNCTAD TUNGSTEN COMMITTEE BY JANUARY 1978.

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15. TRADE ISSUES (CONFIDENTIAL)

US NEGOTIATORS ARE THIS WEEK IN JAPAN TO NEGOTIATE A RESTRAINT AGREEMENT ON COLORED TELEVISION SET EXPORTS TO THE US AND IN KOREA AND THE ROC TO NEGOTIATE ORDERLY MARKETING AGREEMENTS ON SHOES. THE MAJOR ISSUE ON THE TV SETS IS TO BRING "SUBSTANTIALLY COMPLETE" SETS WITHIN THE AGREEMENT SO AS TO ELIMINATE A LOOPHOLE THROUGH WHICH JAPANESE EXPORTERS COULD AVOID THE RESTRAINT. THERE IS ALSO THE PROBLEM OF FINDING A FORMULA WHEREBY WE CAN CHARACTERIZE THE UNDERSTANDING AS A FIRM AGREEMENT AND THE GOJ AS A VOLUNTARY RESTRAINT. ON SHOES FROM KOREA AND TAIWAN STR IS COMMITTED TO THE HILL TO A 40 MILLION PAIR CUTBACK FROM THE 1976 LEVEL. IN ORDER TO SUCCEED THE KOREANS AND THE ROC WILL HAVE TO HAVE REASONABLE ASSURANCES THAT OTHER EXPORTERS WILL NOT PICK UP THEIR SHARE.

ON STEEL WE HAVE PROPOSED YESTERDAY THE SETTING UP OF CONSULTATIONS IN THE OECD. THE JAPANESE WERE RELUCTANT TO AGREE BECAUSE IN ADDITION TO REVIEWING TRENDS WE WANT TO DISCUSS MARKETING AND PRICING POLICIES AND PRACTICES IN A CYCLICAL DOWN TURN. WE ARE ALSO PLANNING TO HAVE BILATERAL CONSULTATIONS WITH THE JAPANESE ON STEEL IN WHICH ONE OF THE ISSUES IS LIKELY TO BE A COUPLE OF ANTI-DUMPING INVESTIGATIONS.

ON THE BRIGHTER SIDE, THE DEPARTMENT IS CONSIDERING THE INITIATION OF A REQUEST TO THE ITC REGARDING THE SPECIALTY STEEL SITUATION WITH THE VIEW THAT WE MAY ELIMINATE OR PHASE OUT SOME OF THE RESTRICTIONS ON SPECIALTY STEEL IMPORTS.

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